

CLAUSE I-18 – CANCELLATION OF ITEMS (August 2002)

NOTE: This clause is applicable in solicitations, subcontracts and delivery orders when a multiyear subcontract or a multiyear Delivery Order is contemplated.

- (a) "Cancellation," as used in this clause, means that SURA is canceling its requirements for all items in program years subsequent to that in which notice of cancellation is provided. Cancellation shall occur, by the date or within the time period specified in the Schedule, (unless a later date is agreed to) if the Subcontracting Officer –
 - (1) Notifies the Subcontractor that funds are not available for subcontract performance for any subsequent program year or
 - (2) Fails to notify the Subcontractor that funds are available for performance of the succeeding program year requirement.
- (b) Except for cancellation under this clause or termination under the "Default" clause, any reduction by the Subcontracting Officer in the requirements of this subcontract shall be considered a termination under the "Termination for Convenience of SURA" clause.
- (c) If cancellation under this clause occurs, the Subcontractor will be paid a cancellation charge not over the cancellation ceiling specified in the Schedule as applicable at the time of cancellation.
- (d) The cancellation charge will cover only –
 - (1) Costs
 - (i) Incurred by the prime subcontractor and/or lower-tier subcontractor,
 - (ii) Reasonably necessary for performance of the subcontract, and
 - (iii) That would have been equitably amortized in the unit prices for the entire multiyear subcontract period but, because of the cancellation, are not so amortized, and
 - (2) A reasonable profit on the costs.
- (e) The cancellation charge shall be computed and the claim made for it as if the claim were being made under the "Termination for Convenience of SURA" clause of this subcontract. The Subcontractor shall submit the claim promptly but no later than 1 year from the date –
 - (1) Of notification of the nonavailability of funds, or
 - (2) Specified in the Schedule by which notification of the availability of additional funds for the next succeeding program year is required to be issued, whichever is earlier, unless extensions in writing are granted by the Subcontracting Officer.
- (f) The Subcontractor's claim may include –
 - (1) Reasonable nonrecurring costs (see FAR 15.8) which are applicable to and normally would have been amortized in all items to be furnished under the multiyear requirements;
 - (2) Allocable portions of the costs of facilities acquired or established for the conduct of the work, to the extent that it is impracticable for the Subcontractor to use the facilities in its commercial work and if the costs are not charged to the subcontract through overhead or otherwise depreciated;
 - (3) Costs incurred for the assembly, training, and transportation to and from the job site of a specialized work force; and
 - (4) Costs not amortized by the unit price solely because the cancellation had precluded anticipated benefits of Subcontractor or lower-tier subcontractor learning.
- (g) The claim shall not include –
 - (1) Labor, material, or other expenses incurred by the Subcontractor or lower-tier subcontractors for performance of the canceled work;
 - (2) Any cost already paid to the Subcontractor;
 - (3) Anticipated profit on the canceled work; or

- (4) For service subcontracts, the remaining useful commercial life of facilities. "Useful commercial life" means the commercial utility of the facilities rather than their physical life with due consideration given to such factors as location of facilities, their specialized nature, and obsolescence.
- (h) This subcontract may include an "Option" clause with the period for exercising the option limited to the date in the subcontract for notification that funds are available for the next succeeding program year. If so, the Subcontractor agrees not to include in the price for option quantities any costs of a startup or nonrecurring nature, which have been fully provided for in the unit prices of the firm quantities of the program years. The Subcontractor further agrees that the prices offered for option quantities will reflect only those recurring costs, and a reasonable profit necessary to furnish the additional option quantities.
- (i) Quantities added to the original subcontract through the "Option" clause of this subcontract shall be included in the quantity canceled for the purpose of computing allowable cancellation charges.